



भारतीय सनदी लेखाकार संस्थान
(संसदीय अधिनियम द्वारा स्थापित)

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
(Set up by an Act of Parliament)

[DISCIPLINARY COMMITTEE BENCH-IV (2025-2026)]
[Constituted under Section 21B of the Chartered Accountants Act, 1949]

**ORDER UNDER SECTION 21B (3) OF THE CHARTERED ACCOUNTANTS ACT, 1949 READ WITH
RULE 19(1) OF THE CHARTERED ACCOUNTANTS (PROCEDURE OF INVESTIGATIONS OF
PROFESSIONAL AND OTHER MISCONDUCT AND CONDUCT OF CASES) RULES, 2007.**

File No.: [PR/301/15/DD/87/2016/DC/806/2018]

In the matter of:

Mr. Deepak Sood,
Assistant General Manager,
Punjab National Bank,
Large Corporate Branch,
Sector 17, Bank Square,
CHANDIGARH – 160017

.... Complainant

Versus

CA. Amit Gandhi (M. No. 097997)

Partner, M/s Khurana Vineet & Associates,
Chartered Accountants,
Flat No. 18, Block IV,
Goyal Apartment,
Sandal Estate, Chakkar,
SHIMLA – 171001

Partner, M/s Khurana Vineet & Associates,
Chartered Accountants,
SCO 63, 2nd Floor
Sector 20C, Computer Market,
CHANDIGARH – 160020.

.... Respondent

MEMBERS PRESENT:

1. CA. Prasanna Kumar D, Presiding Officer (In person)
2. Ms. Dakshita Das IRAS (Retd.), Government Nominee (Through VC)
3. Adv Vijay Jhalani, Government Nominee (In person)
4. CA. Mangesh P. Kinare, Member (Through VC)
5. CA. Satish Kumar Gupta, Member (Through VC)

DATE OF HEARING: 05th February 2026

DATE OF ORDER: 11th February 2026

1. That vide Findings dated 28th January 2026 under Rule 18(17) of the Chartered Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of



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Cases) Rules, 2007, the Disciplinary Committee was inter-alia of the opinion that **CA. Amit Gandhi (M. No. 097997)** (hereinafter referred to as the **Respondent**) is **GUILTY** of Professional Misconduct falling within the meaning of Clause (7) of Part I of Second Schedule to the Chartered Accountants Act, 1949.

2. That pursuant to the said Findings, an action under Section 21B (3) of the Chartered Accountants (Amendment) Act, 2006 was contemplated against the Respondent and a communication was addressed to him thereby granting an opportunity of being heard in person/ through video conferencing and to make representation before the Committee on 05th February 2026.

3. The Committee noted that on the date of hearing on 05th February 2026, the Respondent was present through video conferencing. During the hearing, the Respondent made verbal submissions and also referred to the written representation dated 02nd February 2026 on the Findings of the Committee. The Committee noted the verbal and written representation of the Respondent dated 02nd February 2026 on the Findings of the Committee, which, inter alia, are as under: -

- It is an admitted fact that the Managing Director, Mr. Sunil Guglani, never informed the banks about the revision of financial statements. The preliminary unaudited versions were forwarded to the banks by management without the Respondent's control or involvement.
- The Respondent cannot be held liable for actions undertaken by management independently.
- Working papers concerning the analysis of stock obsolescence were already on record. These include minutes of the AGM, and a list of obsolete stock items with the detailed analysis of each and every inventory item.
- SA 240 recognizes that management is in a unique position to perpetrate fraud by overriding controls and preparing misleading financials.

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- The financial statements that were ultimately adopted and filed were based on management's revised representations and were issued before any formal adoption of the earlier version.

4. The Committee considered the reasoning as contained in Findings holding the Respondent 'Guilty' of Professional Misconduct vis-à-vis verbal and written representation of the Respondent. The Committee noted that the issues/ submissions made by the Respondent as afore stated have been dealt with by it at the time of hearing under Rule 18.

5. Thus, keeping in view the facts and circumstances of the case, material on record including verbal and written representation of the Respondent on the Findings, the Committee observed that Respondent had certified two sets of audited financial statements for F.Y. 2013-14 in respect of M/s Super Multicolor Printers Pvt. Ltd., M/s Shivek Labs Ltd., and M/s Dunn Foods Pvt. Ltd. The Committee noted that the Respondent had initially submitted Financial Statements of these companies dated 04.09.2014 showing profits. Thereafter, when these Financial Statements were approved by the consortium and the companies submitted enhancement proposals which were under consideration with Banks, the Respondent submitted re-audited Financial Statements dated 26.11.2014 of these companies showing losses citing reasons of security depletion, presence of old, obsolete and slow-moving stock. But the Respondent failed to provide a clear and adequate disclosure of the reasons for the revision in the financial statements, as required under SA 560. Further, as per AS 4, neither nature of event nor its financial effect has been disclosed.

6. On perusal of the re-audited financial Statements of the three Companies, the Committee observed that the Respondent has mentioned in his Audit Report(s) heading such as "Independent Revised Auditor's Report, Revised Balance Sheet, Revised Statement of Manufacturing, Trading and Profit and Loss account" in the re-audited financial statements of the Companies. The Committee was of the view that as per requirement of Paragraph 12(b) of SA - 560 the Respondent had not mentioned the fact that the financial statements had been revised in Emphasis of Matter or Other matter(s) paragraph that conveys that auditor's

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procedures on subsequent events are restricted solely to the amendment of the financial statements as described in the relevant note to the financial statements.

7. Hence, the Professional Misconduct on the part of the Respondent is clearly established as spelt out in the Committee's Findings dated 28th January 2026 which is to be read in consonance with the instant Order being passed in the case.

8. Accordingly, the Committee was of the view that the ends of justice would be met if punishment is given to him in commensurate with his Professional Misconduct.

9. Thus, the Committee upon considering the gravity of the matter, ordered that the Respondent i.e. CA. Amit Gandhi (M. No. 097997), be REPRIMANDED, removed his name from the Register of Members for a period of Two (02) months and also imposed a fine of Rs. 1,00,000/- (Rupees One Lakh Only) upon him, which shall be paid within a period of 60 (sixty) days from the date of receipt of the order.

(4)

Sd/-
(CA. PRASANNA KUMAR D)
PRESIDING OFFICER

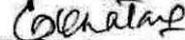
Sd/-
(MS DAKSHITA DAS IRAS (RETD.))
GOVERNMENT NOMINEE

Sd/-
(ADV VIJAY JHALANI)
GOVERNMENT NOMINEE

Sd/-
(CA. MANGESH P. KINARE)
MEMBER

Sd/-
(CA. SATISH KUMAR GUPTA)
MEMBER

सत्यापित होने के लिए प्रमाणित / Certified to be True Copy



चरण सिंह / Charan Singh

कार्यकारी अधिकारी / Executive Officer

अनुशासनात्मक विभाग / Disciplinary Directorate

भारतीय सनदी लेखाकार संस्थान

The Institute of Chartered Accountants of India

आई.सी.ए.आई. भवन, सी-1, सेक्टर-1, नोएडा-201301 (उ.प्र.)

ICAI Bhawan, C-1, Sector-1, Noida-201301 (U.P.)

CONFIDENTIAL

DISCIPLINARY COMMITTEE [BENCH – IV (2025-2026)]

[Constituted under Section 21B of the Chartered Accountants Act,1949]

Findings under Rule 18(17) of the Chartered Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007.

File No.: - [PR/301/15/DD/87/2016/DC/806/2018]

In the matter of:

**Mr. Deepak Sood,
Assistant General Manager,
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Large Corporate Branch,
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CHANDIGARH – 160 017**

.....Complainant

Versus

CA. Amit Gandhi..... (M. No. 097997)

Partner, M/s Khurana Vineet & Associates, Chartered Accountants, Flat No 18, Block IV, Goyal Apartment, Sandal Estate, Chakkar, SHIMLA – 171 001	Partner, M/s Khurana Vineet & Associates, Chartered Accountants, SCO 63, 2 nd Floor Sector 20C, Computer Market, CHANDIGARH – 160020.
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.....Respondent

MEMBERS PRESENT:

**CA. Prasanna Kumar D, Presiding Officer (In person)
Adv. Vijay Jhalani, Government Nominee (In person)
CA. Mangesh P. Kinare, Member (In person)
CA. Satish Kumar Gupta, Member (In person)**

DATE OF FINAL HEARING : 22nd December 2025

PARTIES PRESENT:

**Authorised representative of Complainant : Shri Narender Pal Singh (Through VC)
Counsel for the Respondent : CA. Utsav Hirani (Through VC)**

1. **Background of the Case:**

- 1.1 The Respondent had conducted audit for the F.Y. 2013-14 of three entities i.e. M/s. Super Multicolor Printers Pvt. Ltd., M/s. Shivek Labs Ltd. And M/s. Dunn Foods Pvt. Ltd. (hereinafter referred to as the "Super", "Shivek" and "Dunn" respectively).

2. **Charges in brief:**

- 2.1 The Respondent had initially submitted balance sheet of these companies dated 04.09.2014 showing profits. These balance sheets were approved by the consortium and the companies submitted enhancement proposals which were under consideration with Banks. When the consortium raised observation, the Respondent submitted re-audited balance sheets dated 26.11.2014 of these companies showing losses citing reasons of security depletion, presence of old, obsolete and slow-moving stock and hence the banks had to restructure the facilities suffering sacrifice.

3. **The relevant issues discussed in the Prima Facie Opinion dated 24th November 2017 formulated by the Director (Discipline) in the matter in brief, are given below:**

- 3.1 As regards the role of the Respondent is concerned, the Respondent in this regard in his written statement had submitted as under:
- a. The value of stock only lost the commercial value due to material events occurring after June 2014 had only been reduced.
 - b. The representatives of the Respondent's firm attended the physical verification counting on test check basis along with the Company Official between 31.03.2014 to 06.4.2014. The quantitative control was also verified on a test check basis. The stock incorporated in the financial statements of the Companies issued on 04.09.2014 was certified by the management of the Companies and the inventories were verified by the Respondent's Firm.
 - c. The change in inventories was on account of loss of commercial value of stock and becoming non saleable and not on account of any shortage/ overstatement or any change in valuation of stocks in the original financial statements.
 - d. The depletion in value of stock is not on account of any negligence but material events occurring beyond the control of the management after the audit was completed.
 - e. In the consortium meeting minutes held on 17.11.2014, the consortium bankers had enhanced the PBF of DUNN and Shivek. It was specifically stated that "The stocks as well as the assets had been inspected by the bankers which were found to be in order." If this being so the possibility of raising query was improbable till 26.11.2014. As regards

Super is concerned there was no enhancement proposal pending of the Company with any of the consortium bankers between 04.09.14 to 26.11.14.

- 3.2 It was seen from admission by the Respondent that value of some stock lost the commercial value due to material events occurring after June 2014. In this regard it was also seen that the first audit report was issued by the Respondent on 04.09.2014, which was well after June 2014.
- 3.3 It was further observed that the reason for obsolescence was mainly the rejection by the market in accepting the product or the policy of the government. Upon examination of the facts and submissions on record, the following coincidences provoked attention and could not be ignored:
- a. Although the businesses of these three companies were different in nature, they had the same directors.
 - b. Despite being different in nature in terms of business, all these companies faced similar problems of stock obsolescence after June 2014.
 - c. The revised audit reports of these companies were issued after objections from bankers. All the reports and revised audit reports were issued on the same day.
 - d. The management representation letters of all the companies were dated 01.07.2014 (in respect of Super, Shivek, and Dunn).
- 3.4 The Respondent although defended his case in an effective manner by producing valuation of original inventory valuation of revised inventory, management representation etc., but his role as an auditor is under doubt on account of coincidence listed above.
- 3.5 The Respondent did not gather information, if any, happened between management representation letter and date of first audit report wherein the period of difference is more than 2 months. Further, when the events had taken place after June 2014 and his report was issued after 2 months, the first financial statement was required to show the decreased closing stock. Revision of report only after being questioned by the bankers shows that the Respondent was perhaps forced to indirectly cover up his negligence by the revised report. In view of above, the Respondent was held prima facie **GUILTY** of the Professional Misconduct falling within the meaning of Clause (7) of Part I of Second Schedule to the Chartered Accountants Act, 1949.
- 3.6 Accordingly, the Director (Discipline) in his Prima Facie Opinion dated 24th November 2017 opined that the Respondent is Prima Facie **GUILTY** of Professional Misconduct falling within

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the meaning of Clause (7) of Part I of Second Schedule to the Chartered Accountants Act, 1949. The said Clause of the Schedule to the Act, states as under:

Clause (7) of Part I of the Second Schedule:

"A Chartered Accountant in practice shall be deemed to be guilty of professional misconduct if he:

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(7) does not exercise due diligence or is grossly negligent in the conduct of his professional duties."

- 3.7. The Prima Facie Opinion formed by the Director (Discipline) was considered by the Disciplinary Committee in its meeting held on 20th April 2018. The Committee on consideration of the same, concurred with the reasons given against the charge(s) and thus, agreed with the Prima Facie opinion of the Director (Discipline) that the Respondent is **GUILTY** of Professional Misconduct falling within the meaning of Clause (7) of Part I of Second Schedule to the Chartered Accountants Act, 1949 and accordingly, decided to proceed further under Chapter V of the Chartered Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007.

4. **Date(s) of Written submissions/Pleadings by parties:**

- 4.1 The relevant details of the filing of documents in the instant case by the parties are given below:

S. No.	Particulars	Dated
1.	Date of Complaint in Form 'I' filed by the Complainant	17 th November, 2015
2.	Date of Written Statement filed by the Respondent	16 th August, 2016
3.	Date of Rejoinder filed by the Complainant	26 th September, 2016
4.	Date of Prima Facie Opinion formed by Director (Discipline)	24 th November, 2017
5.	Written Submissions filed by the Respondent after Prima Facie Opinion	12 th April, 2019, 18 th June 2019 03 rd September, 2019, 24 th July, 2023, 17 th September, 2025, 28 th July, 2025 & 20 th December, 2025
6.	Written Submissions filed by the Complainant after Prima Facie Opinion	06 th March, 2023 & 16 th September, 2025

By Mr

5. **Written Submissions filed by the Respondent**

The Respondent, vide email/letter dated 12th April 2019, 18th June 2019, 03rd September 2019, 24th July, 2023, 28th July, 2025, 17th September, 2025 and 20th December, 2025 had, inter alia, made the submissions which are given as under:-

- 5.1 The Respondent has submitted that the complainant has appreciated that it was only the Respondent/ auditor who had insisted to all the three companies that no further credit facilities be available from the consortium of lending banks for the fact any other possible lender.
- 5.2 The Complainant after receiving the submission dated 16.08.2016 of the Respondent, in its rejoinder dated 11.01.2017 to ICAI changed its stance from the fact that the banker had raised queries then the auditor revised the balance sheets. Now the new stance adopted by the Complainant was that the auditor did not inform the bank about the rejection of the financial statements and only informed them after the revision of the balance sheets.
- 5.3 The audit report of the 3 companies was not revised due to any objection from the bankers. In fact, they were revised suo motto after due diligence and all statutory requirements.
- 5.4 The companies have common directors, and it is a common practice to all issues, observations. The Director (Discipline) has ignored all the factual submissions and has summarily assumed that the balance sheets were revised after the bankers had raised queries. Complainant (PNB) has changed its initial complaint to a new complaint that the auditor did not inform about the non-adoption of balance sheet and his intentions to revise till actual revision. In fact, the audit fees is still pending from the above companies.
- 5.5 The Respondent submitted re-audited balance sheets dated 26.11.2014 on raising of objections by the consortium. It is submitted by the Respondent that, such finding/allegation is absolutely incorrect as there was no observation at all by any member of the consortium on any pretext whatsoever regarding the financial statements which required the respondent to revise the Balance Sheets either before the AGM or after the AGM of 30.09.2014.
- 5.6 The Complainant in the consortium had appraised the enhancement proposals positively and had circulated among the consortium member banks.
- 5.7 The PBF Note of M/s. Shivek Labs Limited was circulated by Chief Manager - Mr Deepak Sood himself on 19.11.2014 to Asst General Manager, Canara Bank and Branch Head, IDBI Bank.,
- 5.8 The PBF Note of M/s. Dunn Foods was also circulated by the complainant to consortium members. In the case of Super Multicolour Printers Pvt Ltd there was no enhancement proposal with the banks.

- 5.9 The audit report of all the companies were not revised due to any objection from the bankers but were revised suo moto by the Respondent firm after prior due diligence and adhering to all statutory and legal requirements.
- 5.10 The first audit report was issued on 04.09.2014 and the auditor should have incorporated the facts of loss in the commercial value of the stock (which happened after June 2014) in his first audit report.
- 5.11 In response to this finding in Prima Facie Opinion, it is clearly averred by the Respondent Firm that the fact of loss/obsolescence in the commercial value of stock was brought to the knowledge of the auditor in the AGM only held on 30.09.2014. And thus, the question of incorporating the turn of events as happened after June 2014, was factually and technically impossible in the first audit report dated 04 September 2014 being prepared before 30 September 2014. As on 4th September, the stock had full marketable value and was thus commercially viable much complimenting the trade/business.
- 5.12 Once having knowledge and awareness of the loss in commercial value of the stocks, on 30.09.2014, the Respondent Firm appointed different teams for identification and checking of such stocks, under the supervision of the Respondent.
- 5.13 The financial statements were submitted on 26.11.2014 and the primary and sole/exclusive responsibility of disclosing the fact of revision of financial statements as on the meeting dated 17.11.2014 vested with the management alone. Neither was the Respondent was part of the said meeting nor does any responsibility of revising and/or disclosing the fact of revision of financial statements vests in the respondent/ auditor. Furthermore, in the Minutes of Meetings held on 30.09.2017 of these Companies, shareholders of the companies asked for revision of financial statement, and it is disclosed in the Rejoinder of the Complainant Bank.
- 5.14 Further, the Counsel for the Respondent vide letter dated **29/07/2025** has submitted as under:-

1. At the outset, point-wise response to each documentary evidence called for by the Hon'ble Bench is as under:

1.1. Stock verification list as on 31.03.2014

In respect of evaluation of correctness of value of stock reported by the management of relevant auditee companies in the original financial statements, it is submitted as under:

a. Attending Physical Verification of Stock during 31.03.2014 to 06.04.2014

- On or before initiation of physical verification of stock, the officials of auditee companies provided certified stock statements indicating complete list of stock available in books of account as on 31.03.2014 and informed that complete stock was kept at the factory premises of respective company except in case of M/s. Shivek Labs Ltd. (**'Shivek'**), an additional leased premise was used for storage of certain components of the stock.

Also, it was confirmed by the officials of said companies that no stock was under control of any third-party agents etc. Accordingly, on test check basis, the representatives of KVA planned and participated in physical verification of stock stored at various locations.

- The representatives of auditee firm i.e. M/s. Khurana Vineet & Associates (hereinafter referred as 'KVA') attended the physical inventory counting along with the officials of respective companies between 31.03.2014 to 06.04.2014 on test check basis and necessary physical verification of stock was carried out.
- During the course of said physical verification of stock, the representatives of KVA evaluated effectiveness of applicable controls related to receipt and issuance of raw material as well as finished goods. In respect of discrepancy observed in physical count of the stock and quantity recorded in books, necessary reconciliations were carried out subsequently.

b. Obtaining Management Representation Letter from auditee companies

After completion of physical verification of stock, the respondent obtained a detailed Management Representation Letter regarding various aspects of the Financial Statements being prepared by them and being presented for audit before the respondent and said letters included detailed note / representations relating to Inventories reported in said Financial Statements.

c. Cross-verification of item-wise value adopted by auditee companies with applicable valuation policies / guidelines

Respondent firm obtained 'Inventory Valuation Guidelines' followed by respective companies while valuing the stock available in stores as on 31.03.2014 and duly verified valuation of various stock items in accordance with said guidelines on test check basis and found no material variance in such regard.

d. Conducting Ratio Analysis

Further, to analyse for any abnormal deviations in stock valuation in comparison to other operational results, the auditors conducted detailed Ratio Analysis in such regard by comparing current year figures i.e. figures pertaining to FY 2013-14 with preceding previous year i.e. FY 2012-13. As a result of said analytical exercise, the respondent observed no material variances / deviations.

e. Independent Stock Audit conducted by CA Firms appointed by consortium members of bankers

In addition to audit procedures independently applied by the respondent in respect of evaluation of correctness of value of inventory reported by the managements of auditee companies, the respondent was apprised of the fact that independent third-party stock audits and physical inspections were carried out by independent Chartered Accountant

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firms appointed by consortium of bankers and no significant deviations were reported by said independent stock auditors. In this regard, the respondent duly obtained copy of said independent stock audit reports from the respective managements of said auditee companies.

In light of aforesaid documentary evidences, it is clearly evident that the respondent had duly exercised necessary due diligence while ascertaining the correctness of the valuation of stock certified by the management of auditee companies by not only participating in Physical Stock Verification Exercise but also by subsequent verification of value adopted by management for specific stock items with applicable valuation guidelines. Thereby, the value of inventory included in Audited Financial Statements issued on 04.09.2014 were purely based upon the audit procedures applied considering the date of valuation as on 31.03.2014 being information regarding discontinuance of certain own products and / or cancellation of certain supply orders from certain parties etc. were nowhere brought to the notice of the auditors during the course of audit being the same were events occurring after the date of financial statements.

1.2. Working Papers regarding analysis of obsolescence of stock.

In respect of obsolescence of stock, it is most humbly submitted as under:

- a. Issue related to obsolescence of stock in each of three auditee companies was instigated during the course of Annual General Meetings conducted on 30.09.2014 for each of three auditee companies, wherein, certain shareholders of said companies raised concerns regarding obsolete stocks included in Audited Financial Statements issued on 09.04.2014.
- b. Respondent was duly present in each of the said meetings and was part of detailed deliberations held in each of the said meetings and during the course of said deliberations, the shareholders of the auditee companies raised concerns regarding obsolete stock for the first time by referring to certain instances / events occurring after the date of issuance of original financial statements and having significant impact on the value of inventory reported in the original Audited Financial Statements. Such deliberations and fresh information cited by the shareholders of auditee companies during such meetings, compelled the respondent in his professional experience to not to object to the proposition of non-adoption of original financial statements at that point of time but to wait for preparation of detailed working of stock items getting obsolete due to events occurring after the date of issuance of financial statements, prepared by the management of the auditee companies being apparently, said events highlighted by the shareholders had significant impact on state of affairs of the auditee companies and

conservatively, certain revisions would be required to be made to the original financial statements prepared by the management of the auditee companies.

- c. In accordance with the discussion held during the course of Annual General Meetings conducted on 30.09.2014 for each of three auditee companies, the management of each of said auditee companies prepared item-wise list of obsolete stock i.e. stock items having no commercial value due to certain events occurring after the date of issuance of financial statements alongwith revised financial statements and presented same before the respondent on 20.11.2014 for conducting audit thereof.
- d. Upon receipt of said working of obsolete stock items on 20.11.2014 and upon prima facie perusal of revised financial statements prepared by the management of the auditee company, at the threshold, the respondent wrote three different letters to the management of the auditee companies to keep all actions based upon Original Audited Financial Statements for FY 2013-14 in abeyance till the conclusion of Annual General Meeting.
- e. On receipt of working of obsolete stock in case of each of the three auditee companies, the respondent conducted independent verification of revised valuation of inventories as per applicable valuation policies / guidelines in light of events occurring after the date of issuance of original financial statements highlighted by the shareholders of the auditee companies in respective Annual General Meetings held on 30.09.2014. Representatives of Respondent firm alongwith officials of respective auditee companies conducted thorough physical verification of stock items identified to be obsolete on test check basis between 20.11.2014 and 25.11.2024 and assess the reasoning assigned by the management for each stock item losing its commercial value due to events occurring after issuance of original financial statements.
- f. Further, respondent analysed debtor aging for the period between July 2014 to November 2014 to ascertain reasons for non-supply of material available in stock of auditee companies. Upon such analysis, it was observed that aging of debtors had increased significantly between July 2014 to November 2014 leading to blockage of working capital of auditee companies in debtors and thereby, due to high outstanding receivables, sales to such debtors reduced. Due to such reduction in sales, stock items, which were commercially saleable at the time of assessment of valuation of stock originally i.e. before issuance of original financial statements dated 04.09.2014 had no commercial value / shelf life at the time of this assessment.
- g. Furthermore, to verify the stock of the auditee companies after revision of financial statements, the consortium of bankers appointed independent Chartered Accountant Firm to conduct stock audit of revised inventory of said auditee companies. It has been appraised that no adverse observation regarding revised inventories were noted by said

independent stock auditors. However, said independent stock auditor as well identified and highlighted the obsolete stocks in their reports in line with the observations of the respondent. Subsequently, an investigative auditor was also appointed by the bank to conduct in depth investigation into financial statements of said auditee companies for FY 2012-13 and FY 2013-14 but no adverse inferences were drawn regarding revision of impugned financial statements.

- h. Furthermore, for instance, it is noteworthy that the consortium bankers appointed M/s. PNB Investment Services Ltd. to conduct a Techno Economic Viability Study in case of M/s. Super Multicolor Printers Pvt. Ltd. before decisioning in respect of restructuring proposal. In said report under the heading 'reasons for restructuring', it has been specifically highlighted by M/s. PNB Investment Services Ltd. that various issues related to liquidity of debtors, recovery therefrom, cancellation of orders etc. were persisting in the business operations of said company and thereby, restructuring of said credit facility was needed.

1.3. Tax Audit Reports for three companies for FY 2012-13, FY 2013-14 and FY 2014-15.

In respect of Tax Audit Report for said companies for FY 2012-13 relevant to AY 2013-14 and FY 2014-15 relevant to AY 2015-16, it is submitted that such documents were not directly relevant to the impugned complaint and thereby, upon completion of mandatory time period for preservation of audit documentation, the same were removed from records available with the respondent. Further, said documents could not be obtained from said companies as well, being said companies had already been liquidated and ceases to exist as on date. Thereby, no adverse inference in respect of non-production of said documents may be drawn against the respondent as production of the same for kind perusal of hon'ble bench is beyond practical means available with the respondent.

1.4. ROC filings for three companies for FY 2012-13, FY 2013-14 and FY 2014-15.

In respect of said filings for said companies for FY 2012-13 and FY 2014-15, it is submitted that such documents were not directly relevant to the impugned complaint and thereby, were not obtained from auditee companies any time earlier whereas, as on date, said documents could not be obtained from said companies, being said companies had already been liquidated and ceases to exist as on date. Also, upon attempt made for making necessary public inspection in such regard, the process could not be completed due to certain prevailing technical issues being said companies have been liquidated. Thereby, no adverse inference in respect of non-production of said

documents may be drawn against the respondent as production of the same for kind perusal of hon'ble bench is beyond practical means available with the respondent.

1.5. Detail of goods in which three companies deal with.

In this regard, company wise details are as under:

- a. **Shivek Labs Ltd.** dealt in third-party manufacturing of formulations i.e. medicines alongwith own medical formulations ranging between 250 -300 different medicines including medicines, injections, capsules, ampules, oral liquids, related to OTC and all kinds of other generic drugs.
- b. **Dunn Foods Pvt. Ltd.** dealt in third-party manufacturing as well as manufacturing of own brands of biscuits of various types (*sweet, salty, creamy etc.*), various types of easy-going savoury snacks i.e. chips, kurkure etc. and various bakery products like bakery biscuit, cookies etc.
- c. **Super Multicolor Printers Pvt. Ltd.** dealt in manufacturing of following items:
 - Cartons, Mono Cartons, Shippers etc. of various sizes.
 - Silver / Gold foils specialised material with names or brands printed on them, and Flexo printing material.
 - All kind and sizes of pharma packaging material for all kinds of formulations whether solid or liquid and PET material.
 - OTC packaging material (*In shades of almost all the colours as manufacturing of cylinders / dies for manufacturing of two to seven colour material is available.*)
 - Liquid packaging material,
 - All kind and sizes of stationery material i.e. note books and registers for all range of students from nursery to college going students.
 - Notebook and Textbook printing material and printing of Text Books.
 - Sim Card and all kind of printing related to telecom industry i.e. majorly RCOM, BSNL, Tata Docomo etc.

Aforesaid list of items in which said companies dealt are based upon general understanding obtained by the respondent during the course of audit of said companies.

1.6. Engagement letters appointing the respondent as auditor of three companies for revision of financial statements.

Respondent was duly present in each of the Annual General Meetings held on 30.09.2014 in respect of said three companies and was part of detailed deliberations held in each of the said meetings. During such meetings itself, the shareholders of the auditee companies requested for reaudit of revised financial statements to be prepared by the management after appropriately addressing the issue of obsolete stock included

in original Audited Financial Statements. Thereby, no question of re-engagement of KVA as statutory auditor for audit of revised financial statements arises but it was understood that the management of said companies were primarily responsible for conducting exercise of identification of obsolete stock having NIL commercial value whereas, the respondent was required to express his opinion on such revised financial statements after applying necessary audit procedures. Also, said action of the respondent was in adherence with the Para 15 of SA 560, wherein it has been prescribed that where, the management of the auditee company amends the financial statements, the auditor is duty bound to carry out necessary audit procedures in such regard and provide new audit report in respect of amended financial statements.

1.7. Daily Production Register and Purchase Register for all high value items.

Books of account of said auditee companies were maintained in inhouse customised ERP Software and necessary details and reports were generated therefrom. In respect of Daily Production Register, it may be appreciated that said reports were bulky and voluminous and not practicable for the respondent to preserve printed copy thereof for the sake of record and thereby said reports were perused on screen as and when required. Thereby, no question of same forming part of audit documentation arises. Also, request for same cannot be made to the auditee companies being said companies had liquidated and had ceases to exist as on date. Thereby, no adverse inference in respect of non-production of said documents may kindly be drawn against the respondent as production of the same for kind perusal of hon'ble bench is beyond practical means available with the respondent.

Whereas, in respect of Purchase Registers, it is submitted that detailed stock item wise purchase register for the period under consideration is not part of preserved Audit Documentation being the same is extremely bulky and voluminous being extending to hundreds of pages and thereby, was only accessed on screen only as per requirements by running specific commands on ERP software. However, it is requested that no adverse inference in respect of non-production of said documents in exact structure mentioned by hon'ble bench in the mail, may kindly be drawn against the respondent as production of the same for kind perusal of hon'ble bench is beyond practical means, considering the scale of operations of the auditee companies, available with the respondent.

1.8. Whether items declared as obsolete were purchased again in future, if yes, to indicate dates and submit documents.

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Said detail desired by hon'ble bench require perusal of purchase details pertaining to FY 2014-15 and other subsequent years but such details / documents were not directly relevant to the impugned complaint and thereby, upon completion of mandatory time period for preservation of audit documentation, the same were removed from records available with the respondent. Further, said documents could not be obtained from said companies as well, being said companies had already been liquidated and seizures to exist as on date. Thereby, no adverse inference in respect of non-production of said documents may kindly be drawn against the respondent as production of the same for kind perusal of hon'ble bench is beyond practical means available with the respondent.

Pertinently, considering the scale and size of the operations of the auditee companies, it will not be appropriate for the respondent to make any comment on such issue merely on the basis of memory without in possession of relevant documentary evidences. Thereby, no comment in this regard can be forwarded by the respondent.

1.9. Details of obsolete items declared by the Company in the previous and subsequent years to the audit period under report along with rate.

Said detail desired by hon'ble bench require perusal of purchase details pertaining to FY 2014-15 and other subsequent years but such details / documents were not directly relevant to the impugned complaint and thereby, upon completion of mandatory time period for preservation of audit documentation, the same were removed from records available with the respondent. Further, said documents could not be obtained from said companies as well, being said companies had already been liquidated and seizures to exist as on date. Thereby, no adverse inference in respect of non-production of said documents may kindly be drawn against the respondent as production of the same for kind perusal of hon'ble bench is beyond practical means available with the respondent. However, it is most humbly brought to the kind notice of your goodself that the respondent in its Independent Auditor's Report issued for FY 2014-15, duly commented upon the obsolete stock identified and its treatment in Profit & Loss A/c.

Complainant bank had failed to bring on record documentary evidence indicating that any such observation of the consortium of bankers have been communicated to the respondent any time between date of issuance of Original Audited Financial Statements and the date of Revised Audited Financial Statements. Whereas, to the contrary, the respondent had duly brought on record documentary evidences including minutes of meetings of consortium of bankers held on 17.11.2014, wherein, bankers have agreed to enhance the Permissible Banking Finance in case of M/s. Shivek Labs Limited and M/s. Dunn Foods Pvt. Ltd. in following manner:

Company	Existing Cash Credit Limit (Rs)	Assessed, Enhanced & Appraised Cash Credit Limit to be released by banks (Rs)
Shivek Labs Limited	47.50 Crores	61.50 Crores
Dunn Foods Private Limited	23.00 Crores	35.00 Crores

Revised Audited Financial Statements had not benefitted any of the audited company in any manner but had caused barrier in availing enhanced credit facilities from the bank to support the working capital requirements of business operations but to the contrary, the banks have been safeguarded from future loss of accountholder's money being subsequently, the auditee companies have gone into liquidation due to decline in business operations due to funding constraints.

6. Written Submissions filed by the Complainant:

The Complainant, vide email/letter dated 06.03.2023 & 16.09.2025 had, inter alia, made the submissions which are given as under:-

- 6.1 The Complainant submitted that the Respondent has signed Audited Balance Sheets of the Companies as at 31.03.2014 on 04.09.2014. The Respondent/auditor later on submitted revised audited balance sheet as at March 31, 2014 on 26.11.2014. Further, forensic audit in this matter was conducted by CA. Vineet Arora (M.No. 507058) partner M/s. Kansal Singla & Associates and vide report dated 14.06.2021, besides other observations, it was pointed out the Respondent firm colluded in or failed to point out Falsification of financial statement and requested to look in the matter and take suitable action against the Respondent.

7. Brief facts of the Proceedings:

- 7.1 The details of the hearing(s)/ meetings fixed and held/adjourned in said matter is given as under:

S. No.	Date of meeting(s)	Status/remark
1	20 th September 2022	Consideration of the matter was deferred.
2	13 th October 2022	Part heard and adjourned.
3	07 th January 2023	Adjourned at the request of Respondent.
4	25 th July 2023	Adjourned at the request of Respondent.

5	14 th December 2023	Part heard and adjourned.
6	26 th December 2023	Part heard and adjourned.
7	09 th January 2024	Part heard and adjourned.
8	22 nd January 2024	Adjourned at the request of Respondent.
9	16 th July 2025	Part heard and adjourned.
10	29 th July 2025	Part heard and adjourned at the request of the Respondent.
11	18 th September 2025	Part heard and adjourned at the request of the Respondent
12	03 rd October 2025	Adjourned at the request of Respondent.
13	16 th October 2025	Adjourned at the request of Respondent.
14	29 th October 2025	Part heard and adjourned.
15	08 th November 2025	Adjourned at the request of Complainant.
16	16 th December 2025	Adjourned at the request of Complainant.
17	22 nd December 2025	Hearing concluded and decision taken.

- 7.2. On the day of hearing on 20th September 2022, the consideration of the case was deferred by the Committee.
- 7.3. On the day of hearing held on 13th October 2022, the Committee noted that the Complainant was not present. However, the counsel for the Respondent was present through video conferencing mode. Thereafter, the Committee enquired from the Respondent as to whether the Respondent was aware of the charges. On the same, the Counsel for the Respondent replied that he is aware of the charges and pleaded Not Guilty to the charges levelled against the Respondent. The Committee, looking into the absence of the Complainant and the fact that the matter is placed for a hearing for the first time, decided to adjourn the matter to a future date.
- 7.4. On the day of hearing held on 07th January 2023 and 25th July 2023 respectively, the Committee noted that Respondent had sought adjournment. Acceding to the request of Respondent, the Committee adjourned the case to a future date.
- 7.5. On the day hearing held on 14th December 2023, the Committee noted that the Counsel of Respondent was present through VC. The Complainant was not present. The Committee

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directed the office to inform the Complainant to appear before it to substantiate the charges and in case of failure to appear, the matter be decided ex-parte the Complainant.

After recording the submissions of the Counsel for the Respondent, the Committee adjourned the matter and directed the Counsel for Respondent to submit the documents (if any) within 10 days.

- 7.6. On the day of hearing held on 26th December 2023, the Committee noted that the Counsel of the Respondent was present through Video conferencing mode. Thereafter, he gave a declaration that there was nobody present except him from where he was appearing and that he would neither record nor store the proceedings of the Committee in any form. The office apprised the Committee that the Complainant was not present and notice of listing of the case has been served upon him.
- 7.7. The Committee asked the Counsel for Respondent to present his submissions on the merits of the case. The Counsel for the Respondent submitted that the Complainant has made contradictory statement in complaint and in rejoinder. In complaint letter dated 17/11/2015, it is mentioned that *"the proposals were under consideration at various consortium member banks & when observations were raised by the bank, M/s. Khurana Vineet & Associates submitted re-audited balance sheet dated 26/11/2014 showing losses in all three Companies citing reasons od security depletion, presence of old, obsolete & slow moving stock & therefore banks had to restructure the facilities suffering sacrifice"*.

Whereas, in rejoinder filed on 12/02/2017 by Shri V V Sonkar (Complainant), it is mentioned that *"as per minutes dated 19/11/2014 of consortium meeting held on 17/11/2014, the management did not disclose the facts to bank that it is in process of revising its financial statements and auditor had also not disclosed the same till submission of revised financial statements on 26/11/2014"*.

In view of above submissions of the Respondent, the Committee directed the office to seek clarification on above contradictory statement of the Complainant and directed the Complainant to appear before it in the next meeting in their absence, the matter be proceeded as ex-parte. With this, the case was part heard and adjourned.

- 7.8. On the day of hearing held on 09th January 2024, the Complainant and Counsel for the Respondent was present through VC. The Committee noted that the Complainant appeared first time before it, and he was put on oath. The Complainant submitted that this is an old case, and he has to locate the papers and documents. The Committee adjourned the case

and directed the Complainant to come at next date of hearing with complete document and record. With this, the case was part heard and adjourned.

- 7.9. On the day of hearing held on 22nd January 2024, the Committee noted that the Complainant has sought adjournment, as he required some additional time for preparation of arguments in subject case. The Committee noted the request of the Complainant and deferred the consideration of the case to a later date with view to extend one final and last opportunity to the Complainant to present the case.
- 7.10. On day of hearing held on 16th July 2025, the Committee noted that Dr. Kuldeep Singh, AGM on behalf of Complainant Department was present through VC while the Counsel for the Respondent was also present through VC and appeared before it.
- 7.11. Thereafter, the Committee noted that the case was part heard and the Respondent was already on oath. The Committee enquired from Counsel for the Respondent that since the composition of the Committee had changed subsequent to the last hearing in this case, whether he wished to have a de-novo hearing or may continue from the stage it was last heard. The Counsel submitted that the proceedings in the instant matter(s) be continued from the stage these were last heard.
- 7.12. The Complainant stated that he had submitted all the documents related to case and has no more submissions to be made in this case. The Committee asked the Counsel for the Respondent to make submissions in the matter. The Counsel for the Respondent made detailed submissions before the Committee.

After recoding the submissions of the Respondent, the Committee directed the Counsel for the Respondent to provide, the following documents in respect of three Companies alleged in subject case within 07 days: -

- i. Stock verification list as on 31/03/2014.
- ii. Working papers regarding analysis of obsolescence stock.
- iii. Tax Audit Reports of three Companies for FYs 2012-13, 2013-14 and 2014-15.
- iv. ROC Filings for three Companies for FYs 2012-13, 2013-14 and 2014-15.
- v. Management Representation Letters for all three Companies.
- vi. INVENTORY Registers of the three Companies.
- vii. Details of goods in which three Companies deal with.
- viii. Financial Statements of the Companies for FYs 2012-13, 2013-14 (original as well as revised ones) and 2014-15.

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- ix. Engagement letters appointing the auditor of three Companies for revision of the financial statements.
- x. Daily production register for all high value items.
- xi. Purchase register for all high value items.
- xii. Comparative chart of stock items as at 31.03.2014 *vis-à-vis* obsolete stock items along with rate.
- xiii. Income tax return of A.Y 2014-15 along with computation of Income.
- xiv. Whether items declared as obsolete were purchased again in future, if yes, to indicate dates and submit documents.
- xv. Director's report of three Companies for FY 2013-14.
- xvi. Management Letter issued to the auditor between 30.09.2014 and 26.11.2014 for three Companies.
- xvii. Purchase register of obsolete items along with the rate.
- xviii. Details of obsolete items declared by the Company in the previous and subsequent years to the audit period under report along with rate.

With this, the matters were part-heard and adjourned.

7.13. On the day of hearing held on 29th July 2025, the Committee noted that Shri N P Singh, Chief Manager, on behalf of Complainant Department was present through VC and the Counsel for the Respondent was present through VC and appeared before it.

7.14. The Counsel for the Respondent submitted that as per directions of the Committee dated 16/07/2025, he has submitted documents/information vide e-mail dated 28/07/2025, however, some documents are under collection and would be provided later on. The Committee directed him to provide all the documents/information sought by it with proper numbering and indexing at earliest. He further submitted that the Respondent wished to attend the hearing in person but due to prevailing medical condition of his wife, he was not available on that date. Therefore, he requested the Committee to adjourn the matter for any other convenient date. Acceding to the request of the Counsel for the Respondent, the Committee adjourned the subject case to later date and directed him to inform the Respondent to appear before it at next date of hearing and in case of his failure to appear before it, the Committee shall decide the case ex-parte.

7.15. On the day of hearing held on 18.09.2025, the Committee noted that Dr. Kuldeep Singh, AGM on behalf of Complainant Department was present through VC, while the Counsel for the Respondent was also present through VC and appeared before it. The Counsel for the Respondent sought time to make submissions on the information received from the bank on

16.09.2025. Accordingly, the Committee, acceding to the request, adjourned the matter to a later date.

7.16. The Committee noted that the Respondent vide email dated 30.09.2025 had changed his Counsel for appearance in future hearings before it.

7.17. On next day of hearing held on 03.10.2025 and 16.10.2025, the Committee noted that the Respondent had sought an adjournment due to non-availability of Counsel of the respondent. Acceding to the request of the Respondent, the Committee adjourned the subject case to a future date.

7.18. On next day of hearing held on 29.10.2025, the Committee noted that the Counsel(s) for the Respondent and AR(s) for the Complainant were present through VC and appeared before it. The Respondent stated that the complainant bank was unaware of inventory issues until December 2014, i.e. months after the financial statements were signed and the AGM was held. The Respondent emphasized that the financial statements were not legally adopted in the AGM, and the revisions were made at the management's insistence, not due to any bank objections. The Respondent also highlighted compliance with relevant auditing standards.

The Respondent stated that he would provide further clarifications on some points, including the legality of the AGM proceedings. The Complainant maintained that the bank raised concerns about inventory issues during a consortium meeting in December 2014, which led to the revision of financial statements. The Committee noted the submissions of the parties. The Committee asked the complainant bank to provide clarification on the point discussed in the meeting. With this, the matters were part-heard and adjourned.

7.19. On next day of hearing held on 08.11.2025 and 16.12.2025, the Committee noted that the Complainant had sought an adjournment. Acceding to the request of the Complainant, the Committee adjourned the subject case to a future date.

7.20. On the day of hearing held on 22.12.2025, the Committee noted that authorised representative of Complainant and Counsel of Respondent were present through VC and appeared before it. The Committee noted that the Respondent had earlier made detailed submissions and the matter was adjourned at the request of the Complainant bank. On being given an opportunity for further submissions, the Counsel for the Respondent briefly reiterated that the complaint lacked merit, as documentary evidence showed that the Complainant was not aware of the alleged issue at the relevant time.

The Authorised Representative of the Complainant stated that all required documents had already been placed on record. The Committee observed that the Respondent's detailed submissions covered the issues and, accordingly, decided that hearing in the matter be concluded.

- 7.21. Based on the documents/material and information available on record and the oral and written submissions made by the parties, and on consideration of the facts of the case, the Committee concluded the hearing in subject matter and took the decision on the conduct of the Respondent.

8. **Findings of the Committee:-**

- 8.1. The Committee noted the allegation against the Respondent which has been explained in para 2 above. The Committee also noted the submissions of the Respondent, as detailed in para 5 above.
- 8.2. The Committee noted that it is case of two sets of Financial Statements, which were audited by the Respondent for the F.Y. 2013-14 of three entities i.e. M/s. Super Multicolor Printers Pvt. Ltd., M/s. Shivek Labs Ltd. And M/s. Dunn Foods Pvt. Ltd. The Committee further noted that the Respondent had initially submitted Financial Statements of these companies dated 04.09.2014 showing profits. Thereafter, when these Financial Statements were approved by the consortium and the companies submitted enhancement proposals which were under consideration with Banks, the Respondent submitted re-audited Financial Statements dated 26.11.2014 of these companies showing losses citing reasons of security depletion, presence of old, obsolete and slow-moving stock and hence the banks had to restructure the facilities resulting in significant losses.
- 8.3. The Committee noted that the Respondent during the hearing before it and through various submissions has submitted that value of stock lost the commercial value due to material events occurring after June 2014. The change in inventories was on account of loss of commercial value of stock and becoming non-saleable and not on account of any shortage/ overstatement or any change in method of valuation of stocks in the original financial statements. The depletion in value of stock is not on account of any negligence but material events occurring beyond the control of the management after the audit was completed.

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- 8.4. The Committee further noted that the Respondent had brought on record management representation letter dated 01.07.2014 in respect of these Companies. On perusal of the same, the Committee observed that it is stated therein that the Companies expect to realize entire inventory at or above their respective carrying values in the financial statements. It is further noticed that Management representation letter(s) were dated 01.07.2014 and the first audit report was issued/signed on 04.09.2014. The Committee noted that MRL stated no material event occurred after Balance Sheet date, however, there were substantial changes in the value of stock within next two months and in the occurrence of such material events, what procedures/measures were adopted by the Respondent as auditor was not disclosed by him.
- 8.5. Moreover, the Committee noted that the Respondent has submitted that Shivek Labs Ltd. dealt in third-party manufacturing of medicines along with own medical formulations ranging between 250 - 300 different medicines including medicines, injections, capsules, ampules, oral liquids, related to OTC and all kinds of other generic drugs and Dunn Foods Pvt. Ltd. dealt in third-party manufacturing as well as manufacturing of own brands of biscuits of various types (*sweet, salty, creamy etc.*), various types of easy-going savoury snacks i.e. chips, kurkure etc. and various bakery products like bakery biscuit, cookies etc. Thereafter, the Respondent submitted that Super Multicolor Printers Pvt. Ltd. dealt in manufacturing of Cartons, Mono Cartons, Shippers etc. of various sizes, flexo printing material, packaging material, liquid packaging material, all kind and sizes of stationery material i.e. note books and registers for all range of students from nursery to college going students, sim card and all kind of printing related to telecom industry i.e. majorly RCOM, BSNL, Tata Docomo etc.
- 8.6. In view of above, the Committee observed that although these three Companies were having same directors but the nature of business of these companies was completely different. Further, the Committee also noted that in spite of different nature in terms of business, all these companies faced similar problems of stock obsolescence after June 2014 only. All the audit reports and revised audit reports were issued on same day. Moreover, Management representation letter(s) of all these companies were of the same date i.e. 01.07.2014.
- 8.7. In view of two sets of Financial Statements, audited by the Respondent, the Committee observed as under:

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Super Multicolor Printers Pvt. Ltd				Dunn Foods Pvt. Ltd			Shivek Labs Limited		
	Original FS	Revised FS	Change	Original FS	Revised FS	Change	Original FS	Revised FS	Change
Profit(loss)	6.25 Crores	(16.08 crores)	22.33 crores	3.78 crores	(2.92) crores	6.70 crores	5.66 crores	(12.26) crores	17.92 crores
Closing Stock	97.13 crores	74.79 Crores	22.34 crores	13.45 crores	6.75 crores	6.70 crores	67.97 crores	50.04 crores	17.93 crores

- 8.8. In view of above table, the Committee is of the view that there was depletion (as reported above) in value of closing stocks of these Companies by 23%, 50% and 26% respectively, which is material in nature as reported above. The Committee observed that, in view of Minutes of all these Companies dated 30/09/2014, the shareholders of these Companies raised the questions for clarification on the audited financial statements for F.Y. 2013-14. Shareholders and Management opined that obsolete stock need to be sorted out and auditor of the Company (Respondent) replied to the same and after deliberation between the auditor and shareholders, it was concluded to reaudit the financial statement for FY 2013-14.
- 8.9. The Committee noted the submission of the Respondent that the revision of financial statements was not prompted by any query raised by the bank but was undertaken based on representations made by the shareholders during the Annual General Meeting (AGM) held on 30th September 2014. The shareholders raised concerns about the obsolescence of certain stock items, which were expected to lose commercial value in the near future. The Respondent argued that the revised financial statements were prepared in compliance with applicable Standards on Auditing (SA) and Accounting Standards (AS), including SA 560 (Subsequent Events) and AS 4 (Contingencies and Events Occurring After the Balance Sheet Date). The Respondent claimed that the revision was necessary to reflect the true and fair view of the financial position of the companies.
- 8.10. The Committee noted that the Respondent had provided working papers, stock verification reports, and minutes of the AGM to substantiate his claim that the revision was based on the management's representation regarding the obsolescence of stock items. However, the Committee noted inconsistencies in the documentation, including the lack of detailed evidence supporting the obsolescence of stock items and the absence of adequate communication between the auditor and the management regarding the revision process.
- 8.11. The Committee noted that the Respondent did not gather information about events happened between the date of management representation letter and date of first audit

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report which led to the so called obsolescence of the stock. He also did not question the sudden depletion in value of stock. Further, when the events had taken place after June, 2014 and his report was issued after 2 months, the first financial statement was required to show the decreased closing stock.

- 8.12. Further, the Committee noted that the Counsel for the Respondent during the hearing has submitted that the Complainant has made contradictory statement in complaint and in rejoinder. In complaint letter dated 17/11/2015, it is mentioned that "the proposals were under consideration at various consortium member banks & when observations were raised by the bank, M/s. Khurana Vineet & Associates submitted re-audited balance sheet dated 26/11/2014 showing losses in all three Companies citing reasons of security depletion, presence of old, obsolete & slow moving stock & therefore banks had to restructure the facilities suffering sacrifice".

Whereas, in rejoinder filed on 12/02/2017 by Shri V V Sonkar (Complainant), it is mentioned that "as per minutes dated 19/11/2014 of consortium meeting held on 17/11/2014, the management did not disclose the facts to bank that it is in process of revising its financial statements and auditor had also not disclosed the same till submission of revised financial statements on 26/11/2014".

During the hearing, the Committee asked the authorised representative of the Complainant to clarify the said query of the Respondent and in response, the authorised representative of the Complainant submitted that he has submitted all the documents relevant to this case and has nothing more to submit in this case. The Committee noted the submissions of the authorised representative of the Complainant and decided to proceed with merits of the case as per documents/material available on record.

- 8.13. After noting the above facts, the Committee referred to SA 560, Subsequent Events (Effective for audits of financial statements for period beginning on or after April 1, 2009) and noted as under:

"6. The auditor shall perform audit procedures designed to obtain sufficient appropriate audit evidence that all events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements have been identified. The auditor is not, however, expected to perform additional audit procedures on matters to which

previously applied audit procedures have provided satisfactory conclusions. (Ref: Para. A6)

Facts Which Become Known to the Auditor After the Date of the Auditor's Report but Before the Date the Financial Statements are Issued

10. The auditor has no obligation to perform any audit procedures regarding the financial statements after the date of the auditor's report. However, when, after the date of the auditor's report but before the date the financial statements are issued, a fact becomes known to the auditor that, had it been known to the auditor at the date of the auditor's report, may have caused **the auditor to amend the auditor's report, the auditor shall:** (Ref: Para. A11) (a) **Discuss the matter with management and, where appropriate, those charged with governance.** (b) **Determine whether the financial statements need amendment and, if so,** (c) **Inquire how management intends to address the matter in the financial statements.**

11. If management amends the financial statements, the auditor shall:

(a) Carry out the audit procedures necessary in the circumstances on the amendment.

(b) Unless the circumstances in paragraph 12 apply:

(i) Extend the audit procedures referred to in paragraphs 6 and 7 to the date of the new auditor's report; and

(ii) Provide a new auditor's report on the amended financial statements. The new auditor's report shall not be dated earlier than the date of approval of the amended financial statements.

12. When law, regulation or the financial reporting framework does not prohibit management from restricting the amendment of the financial statements to the effects of the subsequent events or events causing that amendments and those responsible for approving the financial statements are not prohibited from restricting their approval to that amendment, the auditor is permitted to restrict the audit procedures on subsequent events required in paragraph 11(b)(i) to that amendment. In such cases, the auditor shall either:

(a) Amend the auditor's report to include an additional date restricted to that amendment that thereby indicates that the auditor's procedures on subsequent

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events are restricted solely to the amendment of the financial statements described in the relevant note to the financial statements; or (Ref: Para. A13)

(b) Provide a new or amended auditor's report that includes a statement in an Emphasis of Matter paragraph or Other Matter(s) paragraph 4 that conveys that auditor's procedures on subsequent events are restricted solely to the amendment of the financial statements as described in the relevant note to the financial statements.

Facts Which Become Known to the Auditor After the Financial Statements have been Issued

14. After the financial statements have been issued, the auditor has no obligation to perform any audit procedures regarding such financial statements. However, when, after the financial statements have been issued, a fact becomes known to the auditor that, had it been known to the auditor at the date of the auditor's report, may have caused the auditor to amend the auditor's report, the auditor shall:

(a) Discuss the matter with management and, where appropriate, those charged with governance.

(b) Determine whether the financial statements need amendment and, if so,

(c) Inquire how management intends to address the matter in the financial statements.

15. If the management amends the financial statements, the auditor shall: (Ref:

Para. A17)

(a) Carry out the audit procedures necessary in the circumstances on the amendment.

(b) Review the steps taken by management to ensure that anyone in receipt of the previously issued financial statements together with the auditor's report thereon is informed of the situation.

(c) Unless the circumstances in paragraph 12 apply:

(i) Extend the audit procedures referred to in paragraphs 6 and 7 to the date of the new auditor's report, and the date the new auditor's report no earlier than the date of approval of the amended financial statements; and

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(ii) Provide a new auditor's report on the amended financial statements."

- 8.14. On perusal of re-audited financial Statements of the three Companies, the Committee observed that the Respondent has mentioned in his Audit Report(s) heading like "Independent Revised Auditor's Report, Revised Balance Sheet, Revised Statement of Manufacturing, Trading and Profit and Loss account" in the re-audited financial statements of the Companies. The Committee was of the view that as per requirement of Paragraph 12(b) of SA – 560 the Respondent has not mentioned the fact of revision of Financial Statement in Emphasis of Matter or Other matter(s) paragraph that conveys that auditor's procedures on subsequent events are restricted solely to the amendment of the financial statements as described in the relevant note to the financial statements.
- 8.15. The Committee further observed that in the Auditor's Reports and in Notes to accounts on revised financial statements, there is no descriptive reason for revision of financial statements and the fact of obsolescence of closing stock was not mentioned therein. However, there is material change in closing stocks of these Companies by 23%, 50% and 28% respectively.

The Committee further noted from AS 4, Contingencies and Events Occurring after the Balance Sheet Date which provides that:

Events Occurring after the Balance Sheet Date

13. Assets and liabilities should be adjusted for events occurring after the balance sheet date that provide additional evidence to assist the estimation of amounts relating to conditions existing at the balance sheet date or that indicate that the fundamental accounting assumption of going concern (i.e., the continuance of existence or substratum of the enterprise) is not appropriate.

...

Disclosure

17. If disclosure of events occurring after the balance sheet date in the report of the approving authority is required by paragraph 15 of this Statement, the following information should be provided:

(a) the nature of the event;

(b) an estimate of the financial effect, or a statement that such an estimate cannot be made."

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- 8.16. The Committee observed that the revised financial statements had included significant reductions in stock valuation, with amounts being rounded off. The Committee found that the Respondent failed to exercise professional skepticism and did not adequately document the basis for considering these items as obsolete as of the balance sheet date. The Committee also noted that the Respondent did not provide sufficient evidence to demonstrate that the management's representations regarding stock obsolescence were verified or supported by concrete evidence, such as purchase registers or production records.
- 8.17. The Committee observed that the Respondent failed to exercise due diligence and professional skepticism in the preparation and revision of the financial statements for the three companies. The Committee was of the view that the Respondent simply accepted the contention of the shareholders/management and signed the revised financial statements without making any comments or documenting reasons for such a huge depletion in value of stock. The Respondent's reliance on the management's representations without adequate verification and documentation constituted a breach of the duty of care expected of a Chartered Accountant. The Committee viewed that the Respondent's actions in revising the financial statements to reflect stock obsolescence were not in compliance with the applicable Standards on Auditing and Accounting Standards. The Respondent failed to provide a clear and adequate disclosure of the reasons for the revision in the financial statements, as required under SA 560. Further, as per AS 4, neither nature of event and its financial effect has been disclosed. The Committee viewed that the Respondent's failure to adequately document the revision process and communicate with the management reflected lack of due diligence on the part of Respondent.
- 8.18. In view of above specific requirements of SA, the Committee is of the view that the Respondent failed to consider the safeguard as specified above in respect of Auditor's Report on Revised Accounts of Companies.
- 8.19. The Committee, however, did not find any merit in the allegation of the Complainant that the Respondent made revisions in the financial statements after being pointed out by the Bank as no substantive evidence was brought to record by the Complainant to that effect.
- 8.20. In view of the above findings, the Committee held the Respondent **GUILTY** of Professional Misconduct" falling within the meaning of Clause (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949 for not being diligent to comply with the requisite Standards of Auditing and Accounting Standards.

9. **Conclusion:**

In view of the findings stated in above paras, vis-à-vis material on record, the Committee gives its charge wise findings as under:

Charges (as per PFO)	Findings	Decision of the Committee
Para 2.1 as given above	Paras 8.1 to 8.20 as given above	GUILTY - Clause (7) of Part I of the of Second Schedule

10. In view of the above observations, considering the oral and written submissions of the parties and material on record, the Committee held the Respondent **GUILTY** of Professional Misconduct falling within the meaning of Clause (7) of Part I of Second Schedule to the Chartered Accountants Act, 1949.

Sd/-
(CA. PRASANNA KUMAR D)
PRESIDING OFFICER

Sd/-
(ADV. VIJAY JHALANI)
GOVERNMENT NOMINEE

Sd/-
(CA. MANGESH P KINARE)
MEMBER

Sd/-
(CA. SATISH KUMAR GUPTA)
MEMBER

DATE: 28th January 2026
PLACE: New Delhi

सत्यापित होने के लिए प्रमाणित / Certified to be True Copy
अरुण कुमार / Arun Kumar
वरिष्ठ कार्यकारी अधिकारी / Sr. Executive Officer
अनुशासनमूलक विदेशालय / Disciplinary Director
भारतीय सनदी लेखाकार संस्थान
The Institute of Chartered Accountants of
आई.सी.ए.आई. भवन, सी-1, सेक्टर-1, नोडा-201301
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